

BEFORE THE DEPARTMENT OF PUBLIC SERVICE REGULATION
OF THE STATE OF MONTANA

In the matter of the amendment of)
ARM 38.5.2501, 38.5.2527, and) DOCKET: N2017.9.76
38.5.2528, pertaining to small water)
utility rules)

To: The Montana Public Service Commission
From: Leroy Beeby, Principle, Beeby Consulting, LLC.
Re: Comments on the above reference rule making.

There are a number of issues that need to be considered in this proposed rule-making. I'll start by stating I'm adamantly opposed to the proposals by the Montana Consumer Counsel (Option 1). It's proposal, for all practical purposes is a rate case, either as an operating ratio methodology or the traditional rate base rate of return format. Either of these approaches, given the MCC's virtually unlimited legal, analytical, financial and administrative resources, allows the MCC to dictate whatever rates it wishes under the auspices of a "settlement."

Option 2 is not much better. It at least allows an interim rate, which is either the standard rate adopted by the Commission or the DNRC rate survey for water and sewer as referred to, with a sunset in 3 years. There should be no need for any kind of "process" as these are interim rates subject either to refund or surcharge. What it does not allow is a clear path to use standard rates, either the DNRC or rule established rates as the rate. Any "process" costs will be recovered in rates when permanent rates are established. At the end of the 3-year period, a company has to file for rates based on the operating ratio or a traditional rate case. Presently, from my limited knowledge of the operating ratio is that it either hasn't been fully vetted by the stakeholders or does not exist. There is no reason to authorize it into rule until it has been vetted. At that point the methodology should be put into rule as well.

I would propose the PSC deny MCC's application, leave the existing rules in place and petition the legislature to put into statute, a rate based on the most current DNRC survey, and that rate is determined by the Legislature to be a just and reasonable rate. There are a number of advantages of this, not the least of which is it will accomplish what the original intent of the small water rules were meant to accomplish. Other issues are outside the scope of this rules change.